

**P**PRICE  
**P**ROTECTION  
**P**ROGRAM GUIDE



**Fox Fuel**

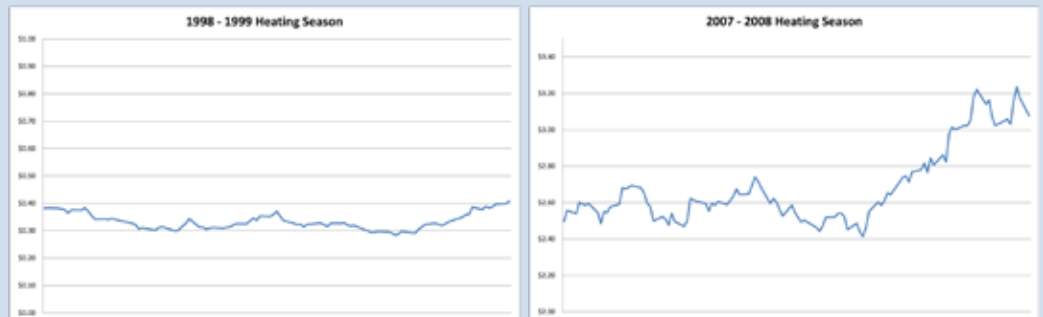
# WHY SHOULD YOU READ THIS PRICE PROTECTION GUIDE?

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What will you pay at the pump for gas next year? Who knows? No One!

Who would have thought that in the middle of the 2007-2008 heating season oil prices were well above \$4 per gallon? The going rate in the beginning of the season was around \$2.60 per gallon.

In the past, Fox Fuel offered only a Fixed Price (Prepay) Program to our customers. This year we have decided to create a new program that will be an alternative to our Prepay Program due to high volatility in the marketplace. We are still offering a Prepay however, we know with the high price of fuel and that the prepay program is due in full at signup; our customers would want another program that will limit their dollar exposure during the warm summer months. In prior years many of our customers saved money when the market rose above the fixed price. However, what happened when the market dropped? They were stuck paying a higher price per gallon than the people that sat back and gambled on the price.



This guide was designed to better educate you, the customer, to make a sound decision when it comes to heating oil programs.

This guide will tell you what price protection is, why it might or might not work for you, and offer you our best suggestions on what to do. Every oil program has its advantages and disadvantages. As always, if you have any questions regarding price protection, please give us a call.

## Frequently Asked Questions

### **Q: What's the difference between a fixed price program and price cap protection?**

A fixed price program is when you lock in a price for the heating season. Regardless of price fluctuation, this is your price per gallon. If the market increases, you pay that number, and vice-versa.

A price cap program is similar, in that you are protected against rising prices. Your price per gallon will never go above the "ceiling" price, however, when the price drops, you will receive the market price on that day of delivery. If our daily rate is lower than the cap ceiling price, you will receive the daily market price.

### **Q: Why do I have to pay a fee for the price cap program?**

Fox Fuel's Elite Price Cap Program, now offer's downside protection! The fee attached to the price cap program is like buying insurance and paying the insurance premium, this is also known as "downside protection". To guarantee you won't pay above the "capped" price, Fox Fuel insures its "ceiling" price

buy purchasing options on the future market. The fee involved in signing up for the cap program is to cover the added cost of hedging our price to our customers in this price protection program, which allows us to give our customers the benefit of downside protection. Fox Fuel does not make any money on the sign-up fee, it is simply to offset against rising prices.

**Q: Is the Elite Price Cap Program always the best option?**

Not always. The price cap program is best when prices go above and beyond the capped price set initially. Fox Fuel, like every other oil company, has no idea which way prices are headed. Therefore, we do not know if the insurance our customers pay to guarantee they will never pay above the capped price will pay off. If you decide to just pay the daily market price and prices drop, you will save money by not having to pay the signup fee for the cap program. However, if prices rise dramatically, and you decide to pay the daily market price, you will lose money by not being on the price cap protection program.

**Q: How do you determine what the price cap will be?**

Preparing our price cap program takes an enormous amount of forecasting and analysis. When determining a cap price we examine pricing tendencies, the commodities market and other factors affecting oil prices, in order to make a wise decision when setting a ceiling price.



**Q: Why is the cost of the downside protection so high?**

In the past, there was much less volatility in the oil markets and the cost of a price cap program was quite low. Now that the energy markets have become so unpredictable and the likelihood of falling prices has become so much greater, the cost of price cap “insurance” has become much greater. It’s similar to flood insurance. If you live in a flood-prone area, your insurance premiums are a lot more than if you lived on high ground far from rivers and streams. Right now, we live in a time with a very volatile energy market.

**Q: Why are other oil companies not charging a fee to sign up for their price cap program?**

One way or the other you are paying to sign up for a capped program. Whether it is an upfront cost, or it is concealed in your price per gallon, other oil companies will no doubt need to cover the cost of hedging the pricing program. At Fox Fuel we think it’s particularly important to explain why there are additional fees associated with this program upfront. We want our customers to understand exactly what they are paying for, instead of adding the fee into the price per gallon.

**Feel free to contact us with any questions:**

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